

ARTICLE APPEARED
ON PAGE **E-11**

WASHINGTON POST
24 August 1984

JACK ANDERSON

Politics Dilute Anti-Corruption Effort in Mexico

Corruption in Mexico reached its giddy peak in the years 1976 to 1982, when huge, newly discovered oil reserves promised to put the historically poverty-stricken nation on the road to prosperity. But when world oil prices fell, Mexico was stuck with massive loans it had received from western banks on the basis of its oil wealth.

The corruption was so notorious that President Miguel de la Madrid based his election campaign in 1982 on a promise of "moral renovation," including prosecution of those who had stolen the big bucks.

But the CIA, in a top-secret report to President Reagan in May, predicted that de la Madrid's great cleanup campaign will be all show and little substance. A summary of the CIA report made available to my associate Dale Van Atta explains that the Mexican president must tread lightly, for both his sake and that of the dominant political party he heads, the Institutional Revolutionary Party.

For the truth is that any serious investigation would lead straight to ex-president Jose Lopez Portillo, who skimmed off more than his

share of the Mexican people's wealth, perhaps as much as \$5 billion, while de la Madrid was his budget director.

Still, popular outrage reached such a pitch that de la Madrid had to serve up at least one big fish. He was Jorge Diaz Serrano, director-general of Pemex, the state oil monopoly, during the Lopez Portillo administration. Diaz Serrano was an oil contractor who once had been a partner of Vice President Bush in the Houston-based Zapata Oil Co.

On the strength of the new oil discoveries—and the supposedly unstoppable increases in petroleum prices—Diaz Serrano boosted Pemex's annual budget to more than \$23 billion, increased its employes from 80,000 to 120,000 and began construction of a 55-story headquarters in Mexico City.

Mexico became the world's fourth largest oil producer.

But in 1981, Diaz Serrano was fired unceremoniously after lowering oil prices without consulting Lopez Portillo and his cabinet. In June 1983, after his protector left office, Diaz Serrano was arrested and charged with defrauding Pemex of \$34 million in a contract for two Belgian natural gas tankers. He was sent to prison.

That was comparative peanuts. In a recent column, I reported that 317 million barrels of oil had disappeared during Diaz Serrano's tenure, and that an estimated \$4 billion

had been diverted from Pemex in 1979 alone.

After the column appeared, Diaz Serrano wrote me from prison, saying: "What you state in your commentary is totally false—from the beginning to the end." He ended his letter with this pious statement: "I think I have expressed not only my point of view but the unanimous disapproval that has arisen in Mexico for your lack of professional ethics while hitting those who stand for the flag of dignity"—a reference to de la Madrid.

Unfortunately for Diaz Serrano, the facts brought out in more than 5,000 pages of official testimony make clear that he was a crook of awe-inspiring proportions.

By concealing kickbacks to top Pemex officials through overpayments to American contractors on just one series of transactions, for example, Diaz Serrano and his cronies bilked the Mexican treasury of \$97 million. On a single order for turbines and compressors, two Pemex officials got \$12.3 million in "commission."

Thousands of "aviadores"—the slang term for "fliers" who touch down only long enough to pick up paychecks—were put on the Pemex payroll under Diaz Serrano. One investigation turned up 13,000 of these ghost workers, while sources tell me that Pemex cranked out more than 2 million paychecks for no work.